



BEAVER LUMBER
COMPANY LIMITED

1967
ANNUAL REPORT

TORONTO, KEELE ST. BRANCH



AERIAL VIEW, KEELE ST. BRANCH



BEAVER LUMBER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

HIGHLIGHTS

	1967	1966
Sales.....	\$67,566,207	\$59,532,574
Earnings before income taxes.....	6,407,790	5,616,478
Income taxes.....	3,199,746	2,845,485
Net earnings.....	3,208,044	2,770,993
Per common share.....	\$ 3.94	\$ 3.38
Dividends.....	1,374,056	1,376,569
Preferred—per share.....	\$ 1.40	\$ 1.40
Class A.....	1.00	1.00
Common.....	1.60	1.60
Working capital.....	16,861,583	15,137,944
Retained earnings.....	24,189,917	21,918,157
Number of common shareholders.....	1,322	1,263

MANUFACTURED HOME AND COTTAGE DISPLAY, KEELE ST. BRANCH



BEAVER LUMBER

COMPANY LIMITED

Directors

R. J. GOURLEY, <i>Winnipeg*</i>	T. O. PETERSON, <i>Winnipeg</i>
C. M. WILLOUGHBY, <i>Regina</i>	D. S. PATERSON, <i>Winnipeg</i>
J. E. WOODS, <i>Winnipeg</i>	R. H. G. HARMAN, <i>Victoria</i>
H. B. GOURLEY, <i>Winnipeg</i>	GORDON LAWSON, <i>Winnipeg</i>
K. C. KENNEDY, <i>Winnipeg</i>	T. BRUCE ROSS, <i>Winnipeg</i>
C. G. SMITH, <i>Winnipeg</i>	

Officers

R. J. GOURLEY, *Chairman of the Board**
 K. C. KENNEDY, *President*
 K. A. MITCHELL, *General Manager*
 W. T. CUMMINGS, *Secretary-Treasurer*
 C. A. McLEOD, *Assistant Secretary-Treasurer*

Division Managers

ONTARIO: J. W. DUPRAS, *Clarkson*
 MANITOBA: T. LEONARD, *Winnipeg*
 SASKATCHEWAN: A. F. STYLES, *Regina*
 ALBERTA: A. G. GEMMELL, *Edmonton*
 BRITISH COLUMBIA: J. S. WATSON, *North Surrey*

Registrar and Transfer Agent

MONTREAL TRUST COMPANY, *Toronto, Winnipeg,
 Vancouver, Calgary*

Head Office

120 Fort Street, *Winnipeg, Canada*

*Retired January 1968



DIRECTORS' REPORT

TO THE SHAREHOLDERS

The Board of Directors submits herewith the Annual Report of the Company and its subsidiaries, together with the consolidated financial statements for the year ended December 31, 1967, and the report of your auditors.

Sales for the year were 13.5% higher than in 1966, establishing a new record. The percentage of gross profit was slightly improved over that of last year and the expense to sales ratio was maintained. These factors supplemented by an increase in sundry income resulted in a 15.8% growth in consolidated net earnings.

Employee remuneration and benefits account for the major portion of the 13.8% increase in operating costs. Rising real property taxes are also a matter of concern.

The improvement in sales resulted from a greater participation in our existing markets, additional volume from branches established during the year, and from new product lines. There was also a satisfactory growth in the sales of manufactured homes.

Over-all marketing conditions were favorable throughout the year; however, there were some abnormalities. Manitoba enjoyed above normal sales in the period preceding the introduction of the provincial sales tax. Saskatchewan and Alberta experienced hesitancy on the part of the consumer during the growing season because of the uncertain crop outlook. Fine weather during the last quarter resulted in unusually high sales in December.

Accounts receivable are normal in relation to sales, and adequate provision has been made for accounts which may prove to be uncollectible.

It will be noted that merchandise inventories are larger than in December 1966. However, prices have increased during the year and additional stocks were required for new branches.

Net fixed assets, after depreciation and proceeds from disposals, at \$8,023,000 are \$1,056,000 higher than in 1966. New stores were opened at Vanderhoof, British Columbia; Rainbow Lake and Edmonton, in Alberta; Killarney, Manitoba; Collingwood and Toronto, in Ontario. Cash and Carry branches were recently opened at Chatham and Stratford, Ontario, making a total of three such outlets operated under the name of Saveway Building Supplies Limited, a new wholly-owned subsidiary.

The profits on disposals of fixed assets, amounting to \$472,000, have been credited to retained earnings and are not included in net earnings.

The decrease in finance contracts receivable of Beaver Lumber Acceptance Corporation Limited is attributable to the increased participation of other financial institutions in this field. In the circumstances, it is unlikely that the ratio of finance contracts to consolidated sales will be maintained at the level of previous years. Mortgages receivable decreased by \$490,000. The Company's investment in this subsidiary was reduced by a dividend payment.

Supplementary letters patent dated January 22, 1968, confirmed the cancellation of 5,863 preferred shares \$1.40 series which had been purchased for that purpose and also confirmed the subdivision of the 1,000,000 common shares into 4,000,000 common shares. Your Directors have declared a quarterly dividend of 12½ cents per common share payable April 1, 1968.

During the year, Mr. J. H. Harman and Mr. Joseph Harris retired from the Board, after serving as Directors since 1955 and 1952, respectively.

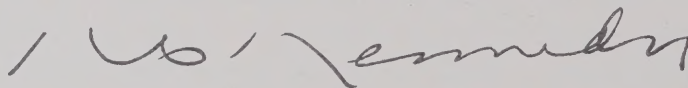
Mr. R. J. Gourley tendered his resignation as Chairman of the Board and Director in January 1968. Employed by the Company as Secretary-Treasurer a month after its incorporation in 1906, he held successive positions of General Manager, President, and Chairman of the Board. He retires from the Company with the respect and affection of his associates, who will long remember his strong leadership and dedication to the interests of the Company.

Your Directors wish to record appreciation for the long and valued service of these men.

We are pleased to report that the vacancies have been filled by Mr. Robert H. G. Harman, partner in the law firm of Harman & Company, Victoria, B.C., Mr. Gordon Lawson, Vice-President—Finance of James Richardson & Sons Limited, and Mr. T. Bruce Ross, President of Canadian Indemnity Company, Winnipeg.

The results recorded in this report are due to the diligence and dedication of the many employees of the Company and their contribution is hereby gratefully acknowledged.

On behalf of the Board,



President.

Winnipeg, February 29, 1968.



BEAVER LUMBER COMPANY LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1967

	1967	1966
SALES.....	\$67,566,207	\$59,532,574
	=====	=====
EARNINGS FROM OPERATIONS—before the undernoted items	\$ 7,345,588	\$ 6,430,648
	=====	=====
Depreciation.....	896,715	776,860
Remuneration of directors and senior officers.....	186,983	172,100
	=====	=====
	1,083,698	948,960
	=====	=====
	6,261,890	5,481,688
Net earnings—Beaver Lumber Acceptance Corporation Limited (Note 1).....	127,977	118,156
Income from other investments.....	17,923	16,634
	=====	=====
EARNINGS BEFORE INCOME TAXES.....	6,407,790	5,616,478
Income taxes.....	3,199,746	2,845,485
	=====	=====
NET EARNINGS FOR THE YEAR.....	\$ 3,208,044	\$ 2,770,993
	=====	=====

The accompanying notes are an integral part of the financial statements.

BEAVER LUMBER

CONSOLIDATED

AS AT DEC

ASSETS

CURRENT ASSETS:

	1967	1966
Short term note.....	\$ 442,926	\$ —
Accounts receivable.....	8,316,482	7,235,923
Agreements receivable.....	298,229	460,386
Merchandise inventories at the lower of cost or replacement cost	13,901,222	13,081,313
Insurance deposits.....	68,382	69,355
Total current assets.....	23,027,241	20,846,977

SPECIAL REFUNDABLE TAX.....	160,400	116,452
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INVESTMENTS:

Shares in and advances to wholly-owned finance company— at equity value (Note 1).....	1,427,762	1,979,785
Shares in other companies—at cost.....	23,206	23,206
	1,450,968	2,002,991

FIXED ASSETS:

Land, buildings and equipment—at cost.....	18,524,130	17,047,829
Less accumulated depreciation.....	10,500,834	10,080,729
Net fixed assets.....	8,023,296	6,967,100

Approved by the Board:

J. E. WOODS, Director

K. C. KENNEDY, Director

TOTAL.....	\$32,661,905	\$29,933,520
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The accompanying notes are an i

MPANY LIMITED

ALANCE SHEET

ER 31, 1967

LIABILITIES

CURRENT LIABILITIES:

	1967	1966
Bank indebtedness.....	\$ 2,461,951	\$ 1,906,465
Accounts payable.....	1,651,281	1,918,658
Income and other taxes payable.....	1,709,062	1,540,022
Dividends payable.....	343,364	343,888
Total current liabilities.....	6,165,658	5,709,033

CONTINGENT LIABILITIES (Note 2)

SHAREHOLDERS' EQUITY

Capital stock: (Note 3)

Authorized:

Preferred cumulative redeemable \$1.40 series—
59,979 shares of a par value of \$20.00 each.

Class A—100,000 shares of no par value cumulative dividend
of \$1.00 per annum.

Common—1,000,000 shares of no par value.

Issued and fully paid:

	1967	Shares	1966	
Preferred.....	29,116	30,453	582,320	609,060
Class A.....	78,369	78,369	1,606,750	1,606,750
Common.....	783,690	783,690		
			2,189,070	2,215,810

Capital surplus arising from purchase for cancellation of
preferred shares.....

	117,260	90,520
Retained earnings (Note 4).....	24,189,917	21,918,157
	24,307,177	22,008,677

Total shareholders' equity..... 26,496,247 24,224,487

TOTAL..... \$32,661,905 \$29,933,520

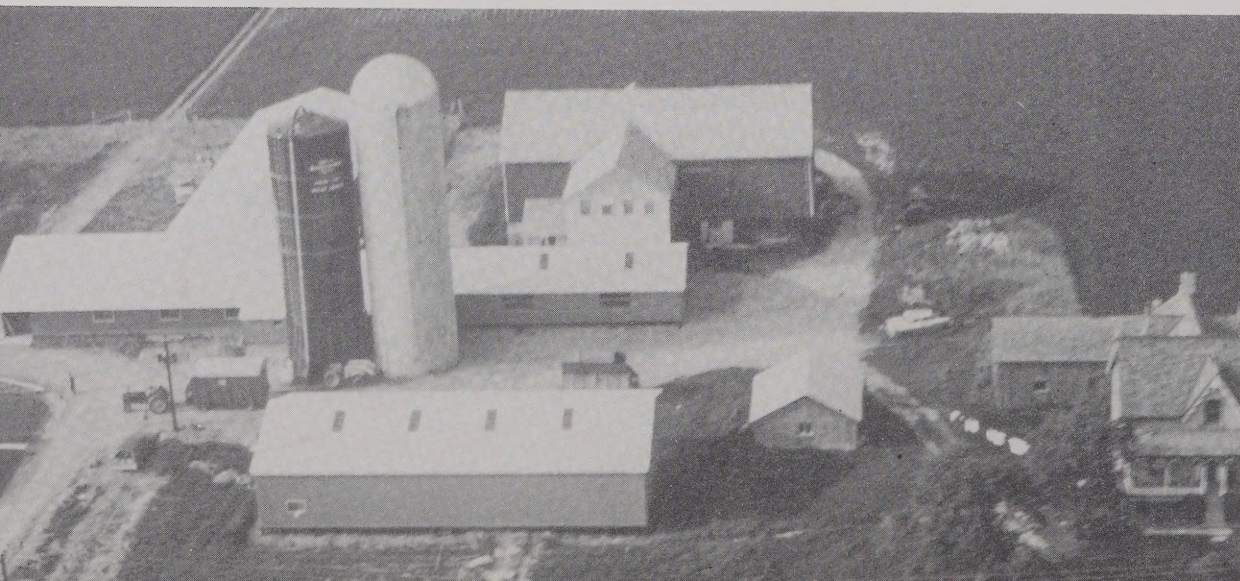
BEAVER LUMBER COMPANY LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1967

	1967	1966
BALANCE AT BEGINNING OF THE YEAR.....	\$21,918,157	\$20,196,955
ADD:		
Net earnings for the year.....	3,208,044	2,770,993
Profit on disposal of fixed assets.....	471,884	436,817
	<u>25,598,085</u>	<u>23,404,765</u>
DEDUCT:		
Dividends:		
Preferred.....	41,783	44,296
Class A.....	78,369	78,369
Common.....	1,253,904	1,253,904
	<u>1,374,056</u>	<u>1,376,569</u>
Premium on preferred shares purchased for cancellation.....	7,372	19,519
Designated as capital surplus.....	26,740	90,520
	<u>1,408,168</u>	<u>1,486,608</u>
BALANCE AT END OF THE YEAR.....	<u>\$24,189,917</u>	<u>\$21,918,157</u>

The accompanying notes are an integral part of the financial statements.



FARM BUILDINGS
SUPPLIED
BY BEAVER

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967

	1967	1966
SOURCE OF FUNDS:		
Net earnings for the year.....	\$ 3,208,044	\$ 2,770,993
Provision for depreciation.....	896,715	776,860
	<hr/> 4,104,759	<hr/> 3,547,853
Disposal of fixed assets.....	887,507	673,794
Decrease in investment in wholly-owned finance company.....	552,023	—
	<hr/> 5,544,289	<hr/> 4,221,647
APPLICATION OF FUNDS:		
Additions to fixed assets.....	2,368,534	945,392
Dividends paid.....	1,374,056	1,376,569
Preferred shares purchased for cancellation.....	34,112	75,919
Increase in investment in wholly-owned finance company.....	—	193,156
Special refundable tax.....	43,948	116,452
	<hr/> 3,820,650	<hr/> 2,707,488
INCREASE IN WORKING CAPITAL.....	1,723,639	1,514,159
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	15,137,944	13,623,785
WORKING CAPITAL AT END OF THE YEAR.....	<hr/> \$16,861,583	<hr/> \$15,137,944

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

1. The consolidated financial statements include the accounts of all subsidiary companies with the exception of the wholly-owned finance company, Beaver Lumber Acceptance Corporation Limited. The nature of the business of this subsidiary is different from the operations of the parent company and other subsidiaries. A statement of the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1967 is appended hereto. The investment in the wholly-owned finance company, including advances 1967 \$720,000, 1966 \$785,000, is shown on the consolidated balance sheet at equity value; its net earnings are included in the consolidated statement of earnings and its retained earnings are included in the consolidated statement of retained earnings.
2. The Company is contingently liable in the following amounts: customers' secured notes discounted, \$89,931; and the wholly-owned finance company's promissory notes payable, \$2,000,000.
3. Supplementary letters patent dated January 22, 1968, provide for:
 - (a) the cancellation of 5,863 preferred \$1.40 series shares, including 1,337 shares purchased during the year.
 - (b) the subdivision of the authorized 1,000,000 common shares into 4,000,000 common shares.
4. Under the terms of the Company's guarantee of the finance company's promissory notes payable, the Company has covenanted that it will not declare or pay any dividends, other than stock dividends and \$1.40 series preferred dividends, or redeem any shares of its capital stock that in the aggregate will reduce the consolidated retained earnings below \$14,200,000.

SAVEWAY, STRATFORD, ONT., CASH AND CARRY



AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BEAVER LUMBER COMPANY LIMITED

We have examined the consolidated balance sheet of Beaver Lumber Company Limited and its consolidated subsidiary companies as at December 31, 1967 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS

Winnipeg, Manitoba
February 22, 1968

Chartered Accountants.

STORE INTERIOR, EDMONTON, ALTA.



BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

STATEMENT OF ASSETS AND LIABILITIES

As at December 31, 1967

ASSETS:	1967	1966
Finance contracts receivable (Note 1).....	\$3,604,693	\$3,980,962
Mortgages receivable (Note 2).....	75,403	565,796
Special refundable tax.....	5,699	4,240
Furniture and equipment—at cost less accumulated depreciation..	7,430	9,157
TOTAL	\$3,693,225	\$4,560,155
LIABILITIES:		
Bank indebtedness—secured.....	\$ 172,907	\$ 498,572
Income taxes payable.....	49,093	38,249
Accounts payable and accrued charges.....	43,463	43,549
	265,463	580,370
Promissory notes payable (Note 3).....	2,000,000	2,000,000
EQUITY OF BEAVER LUMBER COMPANY LIMITED and its subsidiary companies:		
Advances.....	720,000	785,000
Share capital.....	300,006	300,006
Retained earnings.....	407,756	894,779
	1,427,762	1,979,785
TOTAL	\$3,693,225	\$4,560,155

Note 1. Finance contracts receivable are shown net after deducting unearned finance charges 1967 \$661,710, 1966 \$734,532, and allowance for doubtful accounts 1967 \$179,240, 1966 \$178,195, and include instalments due after twelve months amounting to \$1,760,000 at December 31, 1967 and \$1,977,000 at December 31, 1966.

Note 2. Mortgages receivable are shown net after deducting allowance for doubtful loans 1967 \$2,332, 1966 \$17,499.

Note 3. 5¾% promissory notes due 1985, principal repayable in equal annual instalments commencing 1976.

AUDITORS' REPORT TO THE SHAREHOLDERS OF BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

We have examined the statement of assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this statement presents fairly the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1967 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants.

Winnipeg, Manitoba
February 22, 1968

BEAVER LUMBER

COMPANY LIMITED

AND SUBSIDIARY COMPANIES

	Number of Branches
ONTARIO DIVISION:	
Beaver Lumber Company Limited.....	75
Beaver Lumber (Brantford) Limited.....	1
Beaver Lumber (Dunnville) Limited.....	1
Beaver Lumber (Quebec) Limited.....	3
Beaver Lumber (Trenton) Limited.....	1
Saveway Building Supplies Limited.....	3
	— 84
MANITOBA DIVISION:	
Beaver Lumber Company Limited.....	42
The Empire Sash & Door Company Limited.....	1
	— 43
SASKATCHEWAN DIVISION:	
Beaver Lumber Company Limited.....	68
ALBERTA DIVISION:	
Beaver Lumber Company Limited.....	65
BRITISH COLUMBIA DIVISION:	
Beaver Lumber Company Limited.....	10
Beaver Lumber Acceptance Corporation Limited.....	1
Total.....	271

MANUFACTURED HOME, ESTEVAN, SASK.



